

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

**FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY**

AUTHORITY BOARD

Kathleen Carney
Don Davis
Howard Harrington
Dennis Palmer
Stuart Riley
Peter Robertson

WATER AUTHORITY ATTORNEY

Dykema Gossett, PLLC

WATER AUTHORITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

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April 30, 2007

Fonda, Island & Briggs Lake Joint Water Authority
P.O. Box 638
Brighton, Michigan 48116

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of Fonda, Island & Briggs Lake Joint Water Authority as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities of Fonda, Island & Briggs Lake Joint Water Authority as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 6 and 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fonda, Island & Briggs Lake Joint Water Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT
DISCUSSION
AND ANALYSIS

Within this section of the Fonda, Island & Briggs Lake Joint Water Authority's financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2006. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's financial statements. The financial statements include all the statements required by the Governmental Accounting Standards Board and the notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Authority's annual reports include two Authority-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Revenues, Expenses and Changes in Net Assets which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

The Authority's financial reporting includes all the funds of the Authority (primary government) and, additionally, organizations for which the Authority is accountable (component units). Since the Authority's sole purpose is to operate and manage a water system, only one fund is maintained. Thus, there are no fund financial statements prepared by the Authority.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Other information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information. Other supplementary information includes a budget to actual reconciliation for current year Authority operations.

Financial Analysis of the Authority as a Whole

The Authority's net assets at the end of the fiscal year were \$1,825,562. This is a \$74,660 increase over last year's net assets of \$1,750,902.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	<u>12/31/2005</u>	<u>12/31/2006</u>
Current and other assets	\$ 197,845	\$ 328,583
Capital assets, net	<u>1,561,139</u>	<u>1,503,470</u>
Total assets	<u>1,758,984</u>	<u>1,832,053</u>
Current liabilities	<u>8,082</u>	<u>6,491</u>
Net assets:		
Invested in capital assets	1,561,139	1,503,470
Unrestricted	<u>189,763</u>	<u>322,092</u>
Total net assets	<u>\$ 1,750,902</u>	<u>\$ 1,825,562</u>

Operating expenses decreased slightly over the prior year, as general repairs and maintenance were less than the prior year.

Revenues increased significantly due to a large amount of hook up fees. This was primarily due to new condominium developments such as Lake Forest Trails and Woodruff Lake Ridge along with expansion of units at Woodruff Lake Shores.

Summary of Changes in Net Assets

	<u>12/31/2005</u>	<u>12/31/2006</u>
Operating revenues	100,546	237,171
Operating expenses	<u>184,845</u>	<u>178,014</u>
Operating (loss)	(84,299)	59,157
Non-operating revenues, net	<u>14,720</u>	<u>15,503</u>
Net (loss)	(69,579)	74,660
Beginning net assets	<u>1,820,481</u>	<u>1,750,902</u>
Ending net assets	<u>\$ 1,750,902</u>	<u>\$ 1,825,562</u>

Capital and Debt Administration

The Authority did not acquire or dispose of any capital assets during the year ended December 31, 2006.

As of December 31, 2006, the Authority does not have any outstanding long-term debt in the form of bonds or loans payable.

Economic Factors and Next Year's Goals

The Authority's financial outlook continues to remain steady, with modest growth in revenues due to continued expansion of the number of condominium units at Lake Forest Trails and Woodruff Lake Ridge. This expectation of further expansion, however, is very dependent on the market conditions in the condominium market. The population in the service area is expected to remain constant to slowly rising, with several new hookups added during the fiscal year. The Authority is unencumbered by debt.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have further questions about this report or request additional information, please contact the Authority.

FINANCIAL
STATEMENTS

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 182,442	
Accounts receivable - billings	26,132	
Prepaid expense	<u>3,423</u>	
Total current assets		\$ 211,997

CURRENT ASSETS - RESERVED

Cash and cash equivalents		116,586
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CAPITAL ASSETS

Land	125,000	
Water system	2,201,885	
Improvements	154,001	
Office equipment	38,005	
Expansion - Park/Parent Drive	<u>21,995</u>	
	2,540,886	
Less: accumulated depreciation	<u>(1,037,416)</u>	

Capital assets, net		<u>1,503,470</u>
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Total assets		1,832,053
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LIABILITIES

LIABILITIES

Accounts payable - trade	5,366	
Payroll taxes payable	<u>1,125</u>	
Total current liabilities		<u>6,491</u>

NET ASSETS

NET ASSETS

Invested in capital assets	1,503,470	
Unrestricted	<u>322,092</u>	
Total net assets		<u>\$ 1,825,562</u>

The accompanying notes are an integral part of the financial statements

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATING REVENUES

Water billings	\$ 80,141	
Hook-up fees	<u>157,030</u>	
Total revenues		\$ 237,171

OPERATING EXPENSES

Advertising	116	
Accounting	7,700	
Bank charges	445	
Billing expense	3,827	
Chemicals	4,393	
Depreciation	57,669	
Dues and subscriptions	917	
Engineering	22,537	
Insurance	15,655	
Legal	6,033	
Office expense	2,352	
Per diem	5,675	
Repairs and maintenance	10,092	
Taxes - payroll	1,490	
Telephone	3,082	
Utilities	7,442	
Supplies	3,983	
Miscellaneous expense	461	
Refunds	3,319	
Wages - office	2,152	
Wages - system operator	17,391	
Water testing fees	<u>1,283</u>	
Total operating expenses		<u>178,014</u>
Operating income		59,157

NON-OPERATING REVENUES

Miscellaneous and reimbursement income	11,600	
Interest income - from cash and cash equivalents	<u>3,903</u>	
Total non-operating revenues		<u>15,503</u>

Change in net assets	74,660
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NET ASSETS, JANUARY 1, 2006	<u>1,750,902</u>
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NET ASSETS, DECEMBER 31, 2006	<u><u>\$ 1,825,562</u></u>
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The accompanying notes are an integral part of the financial statements

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 236,924	
Payments to vendors	(102,047)	
Payments to employees	(19,543)	
Miscellaneous income	<u>11,600</u>	
Net cash from operating activities		\$ 126,934

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from cash and cash equivalents	<u>3,903</u>
Net increase in cash and cash equivalents	130,837

CASH AND CASH EQUIVALENTS AT JANUARY 1, 2006

168,191

CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2006

\$ 299,028

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED FROM OPERATING ACTIVITIES

Operating income	\$ 59,157
Miscellaneous income	11,600
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	57,669
Changes in assets and liabilities	
Receivables, net	(247)
Prepaid expenses	346
Accounts and other payables	<u>(1,591)</u>
Net cash provided from operating activities	<u><u>\$ 126,934</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY - The water Authority was formed as a corporate authority pursuant to the provisions of Act 196, Public Acts of 1952, as amended. Its primary purpose is to create, own, operate and maintain the water system. The system was constructed by the State of Michigan at no cost to the users. The expenses after completion of construction are to be incurred by the users. The accounts of Fonda, Island & Briggs Lake Joint Water Authority are organized as one proprietary fund (enterprise fund) which is considered a separate accounting entity.

A. SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses. Enterprise funds account for activities:

1. that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or
2. that are required by laws or regulations that the activity's costs of providing service, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar reviews; or
3. That the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and enterprise funds reported on the proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

B. MEASUREMENT FOCUS

The financial activities of the Authority are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net assets; revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

C. CASH AND CASH EQUIVALENTS

The Authority considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES (continued)

D. CAPITAL ASSETS

Capital assets are stated at cost. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the related assets, which range from 5 to 40 years for equipment and 5 to 50 years for buildings, structures, and improvements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

E. CONSTRUCTION-IN-PROGRESS

The costs of acquisition and construction of major plant and equipment is recorded as construction-in-progress. As facilities are accepted by the Authority and become operative, they are transferred to the facilities and improvements or machinery and equipment accounts and depreciated in accordance with the Authority's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

F. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

G. PREMIUM AND ISSUANCE COSTS

Bond discount, premium, and issuance costs are amortized over the term of the related bonds. No bonds were outstanding or issued during the year ended December 31, 2006.

H. INCOME TAXES

As government agency, the Authority is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 3 - BUDGETARY DATA

The Authority follows these procedures in establishing its budgetary data:

1. The Authority prepares the annual operating budget and submits copies to the Brighton and Green Oak Township Boards.
2. Public hearings are conducted to obtain Authority customers' comments.
3. The budget is legally adopted by approval of the members of the Authority's board.
4. Rate increases must be approved by the members of the Authority's board.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy adopted by the Board is in accordance with Act 196 PA 1997. The Authority deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 212,736	\$ 212,736
Uninsured and uncollateralized	<u>86,292</u>	<u>96,475</u>
Total deposits	<u>\$ 299,028</u>	<u>\$ 309,211</u>

NOTE 5 - ACCOUNTS RECEIVABLE

The Authority's billing periods are as follows:

February	through	April
May	through	July
August	through	October
November	through	January

Thus, accounts receivable includes both billed receivables through October 2005 and an estimate of the November and December 2005 billings. The following is a schedule of the Authority's accounts receivable:

<u>Estimated Unbilled</u>	<u>Current</u>	<u>Over 30 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
<u>\$ 15,154</u>	<u>\$ 0</u>	<u>\$ 10,978</u>	<u>\$ 0</u>	<u>\$ 26,132</u>

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 6 - CAPITAL ASSETS

Property, plant and equipment are recorded at cost. The cost of the water system and expansion is depreciated over a 50 year period using the straight-line method. The cost of office equipment and improvements is depreciated over 5 to 10 years, also using the straight-line method. Depreciation for 2006 totaled \$57,669 and is reported as an operating expense on the Statement of Revenues, Expenses and Changes in Net Assets.

	Balance 1/1/06	Additions	Deletions	Balance 12/31/06
Land	\$ 125,000	\$	\$	\$ 125,000
Office equipment	38,005			38,005
Expansion	21,995			21,995
Water system	2,201,885			2,201,885
Improvements	154,001			154,001
	<hr/>	<hr/>	<hr/>	<hr/>
Total cost	2,540,886			2,540,886
Accumulated depreciation				
Water and sewer system	(979,747)	(57,669)		(1,037,416)
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, net	<u>\$ 1,561,139</u>	<u>\$ (57,669)</u>	<u>\$</u>	<u>\$ 1,503,470</u>

NOTE 7 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to present cash flows from operations. The following summarizes beginning and ending cash and cash equivalents:

	1/1/2005	12/31/2006
Current assets		
Cash	\$ 55,057	\$ 182,442
Reserved current		
Cash and cash equivalents	113,134	116,586
	<hr/>	<hr/>
Total cash and cash equivalents	<u>\$ 168,191</u>	<u>\$ 299,028</u>
Reserved cash at beginning of year		\$ 113,134
Reserved interest on reserve		3,452
		<hr/>
Reserved cash at end of year		<u>\$ 116,586</u>

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 8 - RESERVED ASSETS

The amounts shown as reserved cash and cash equivalents are to be used for painting, replacement and improvement of the water system and water system components.

NOTE 9 - MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 10 - CONTINGENCIES

The Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Authority.

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 - RESERVED CASH AND CASH EQUIVALENTS

The Authority Board has designated monies being held in certificates of deposit for future water system improvements. Interest on these reserved funds totaled \$3,452 for the year ended December 31, 2006.

NOTE 13 - SEWER BILLINGS

The system currently has 367 users that are billed quarterly for water service. Users are billed a minimum charge of \$ 55.00 per quarter for service, an increase during the year from \$50 per quarter.

NOTE 14 - SEGMENT INFORMATION

Selected financial information is as follows:

Operating revenue	\$	252,674
Depreciation	\$	57,669
Working capital	\$	322,094
Total assets	\$	1,832,053
Total fund equity	\$	322,092
Net income (loss)	\$	74,660

SUPPLEMENTARY
INFORMATION

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Water billings	\$	\$ 80,141	\$
Interest		3,903	
Tap-in fees		157,030	
Other income		11,600	
Total revenues	<u>\$ 166,200</u>	<u>\$ 252,674</u>	<u>\$ 86,474</u>
OPERATING EXPENSES			
Advertising	\$	\$ 116	\$
Accounting		7,700	
Bank charges		445	
Billing expense		3,827	
Chemicals		4,393	
Depreciation		57,669	
Dues and subscription		917	
Engineering		22,537	
Insurance		15,655	
Legal		6,033	
Office expense		2,352	
Per diem		5,675	
Repairs and maintenance		10,092	
Taxes - payroll		1,490	
Telephone		3,082	
Utilities		7,442	
Supplies		3,983	
Miscellaneous expense		461	
Refunds		3,319	
Wages - office		2,152	
Wages - system operator		17,391	
Water testing fees		1,283	
Total operating expenses	<u>\$ 193,710</u>	<u>\$ 178,014</u>	<u>\$ 15,696</u>

This schedule is prepared on a budgetary basis for the operating accounts of the enterprise fund and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.